

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Marlette Township	County Sanilac County
Fiscal Year End March 31, 2008	Opinion Date July 1, 2008	Date Audit Report Submitted to State July 1, 2008	

We affirm that:

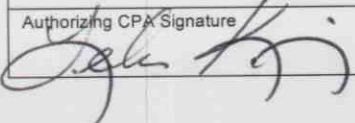
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- |     | YES                                 | NO                       |   |
|-----|-------------------------------------|--------------------------|---|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.   |
| 2.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.   |
| 3.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.   |
| 7.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	Communication with Those Charged with Governance.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.	Telephone Number 989-635-3113		
Street Address 3531 Main Street	City Marlette	State MI	Zip 48453
Authorizing CPA Signature 	Printed Name Lehn L. King, C.P.A.	License Number A248781	

# *Township of Marlette*

**Sanilac County, Michigan**

Audited Financial Report  
March 31, 2008

*Lehn L. King*

Certified Public Accountant  
Marlette, Michigan

**Township of Marlette**  
Annual Financial Report  
For The Fiscal Year Ended March 31, 2008

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Members of the Township Board  
**Township of Marlette**  
Sanilac County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marlette, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Marlette, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

*Lehn King*

Lehn L. King  
Certified Public Accountant

July 1, 2008

# Township of Marlette

## Marlette, Michigan

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### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Marlette's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

#### Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$286,497.

#### Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

#### The Township as a Whole

The Township of Marlette's fund balances are as follows:

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
General Fund	\$ 286,497	\$ 253,098
Road Fund	58,364	56,503
FireFund	1,214	3,894
Total for Township	<u>\$ 346,075</u>	<u>\$ 313,495</u>

# Township of Marlette

## Marlette, Michigan

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### Governmental Activities

The Township of Marlette's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Activities</u>
<b>Fund Balance - Beginning of Year</b>	\$ 253,098	\$ 56,503	\$ 3,894	\$ 313,495
<b>Revenue Collected</b>				
Intergovernmental Revenue	144,861	-	-	144,861
Property Taxes/Special Assessments	64,754	58,111	-	122,865
Charges for Services	2,930	-	12,460	15,390
Interest Income	15,766	136	19	15,921
Transfers	-	14,250	49,821	64,071
Other	9,396	6,695	-	16,091
Total Revenue Collected	<u>237,707</u>	<u>79,193</u>	<u>62,300</u>	<u>379,200</u>
<b>Expenditures</b>				
General Government	83,928	-	-	83,928
Public Safety	8,640	-	64,980	73,620
Public Works	29,888	77,331	-	107,219
Capital Outlay	-	-	-	-
Debt Service	17,781	-	-	17,781
Transfers	64,071	-	-	64,071
Total Expenditures	<u>204,308</u>	<u>77,331</u>	<u>64,980</u>	<u>346,619</u>
<b>Fund Balance - End of Year</b>	<u>\$ 286,497</u>	<u>\$ 58,364</u>	<u>\$ 1,214</u>	<u>\$ 346,075</u>

### Economic Factors and Next Year's Budget and Rates

The Township of Marlette's General Fund budget for next year is approximately the same budget as a year ago.

### Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 1756 Germania Road, Marlette, Michigan or by telephone at (989) 635-7772.

Kirk Dale  
Township of Marlette Supervisor

# Township of Marlette

## Statement of Net Assets (Deficit)

March 31, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b><u>Assets</u></b>			
Cash & Cash Equivalents	\$ 339,398.21	\$ 32,734.57	\$ 372,132.78
Property Taxes Receivable	6,523.44	-	6,523.44
Grant Receivable	-	-	-
Due From Other Funds	153.60	-	153.60
Fuel Inventory	-	18,523.24	18,523.24
Capital Assets			
Nondepreciable Capital Assets	-	189,634.00	189,634.00
Depreciable Capital Assets	<u>375,479.62</u>	<u>262,901.40</u>	<u>638,381.02</u>
 Total Assets	 721,554.87	 503,793.21	 1,225,348.08
<b><u>Liabilities</u></b>			
Accounts Payable	\$ -	\$ -	\$ -
Current Portion of Long-Term Debt	10,902.00	-	10,902.00
Long-Term Debt	<u>168,482.28</u>	<u>-</u>	<u>168,482.28</u>
 <u>Total Liabilities</u>	 <u>179,384.28</u>	 <u>-</u>	 <u>179,384.28</u>
<b>Net Assets (Deficit)</b>			
Invested in Capital Assets - Net of Related Debt	196,095.34	452,535.40	648,630.74
Unrestricted	<u>346,075.25</u>	<u>51,257.81</u>	<u>397,333.06</u>
 <u>Total Net Assets (Deficit)</u>	 <u>\$ 542,170.59</u>	 <u>\$ 503,793.21</u>	 <u>\$ 1,045,963.80</u>

The notes are an integral part of the statements.

**Township of Marlette**  
Statement of Activities  
For the Year Ended March 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Totals
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 92,502.36	\$ -	\$ -	\$ -	\$ (92,502.36)	\$ -	\$ (92,502.36)
Public Safety	73,619.68	15,390.00	-	-	(58,229.68)	-	(58,229.68)
Public Works	107,218.67	-	-	-	(107,218.67)	-	(107,218.67)
Interest on Long-Term Debt	7,276.49	-	-	-	(7,276.49)	-	(7,276.49)
<u>Total Governmental Activities</u>	280,617.20	15,390.00	-	-	(265,227.20)	-	(265,227.20)
Business-type Activities	107,362.48	96,875.20	-	-	-	(10,487.28)	(10,487.28)
Total Primary Government	<u>\$ 387,979.68</u>	<u>\$ 112,265.20</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (265,227.20)</u>	<u>\$ (10,487.28)</u>	<u>\$ (275,714.48)</u>
<b>General Revenues:</b>							
Property Taxes					\$ 122,865.44	\$ -	\$ 122,865.44
State Shared Revenues					144,861.00	-	144,861.00
Interest					15,921.35	110.74	16,032.09
Other Revenues					16,090.74	-	16,090.74
Transfers					-	-	-
Total General Revenues, Special Items & Transfers					<u>299,738.53</u>	<u>110.74</u>	<u>299,849.27</u>
<b>Change in Net Assets</b>					34,511.33	(10,376.54)	24,134.79
<b>Net Assets (Deficit) - Beginning of Year</b>					<u>507,659.26</u>	<u>514,169.75</u>	<u>1,021,829.01</u>
<b>Net Assets (Deficit) - End of Year</b>					<u>\$ 542,170.59</u>	<u>\$ 503,793.21</u>	<u>\$ 1,045,963.80</u>

The notes are an integral part of the statements.



# Township of Marlette

Governmental Funds

Balance Sheet

March 31, 2008

	<b>General Fund</b>	<b>Major Special Revenue Funds Road Fund</b>	<b>Fire Fund</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>				
Cash & Certificates of Deposit	\$ 282,974.39	\$ 55,209.83	\$ 1,213.99	\$ 339,398.21
Property Taxes Receivable	3,368.78	3,154.66	-	6,523.44
Grant Receivable	-	-	-	-
Due From Other Funds	153.60	-	-	153.60
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Assets</u>	<u>\$ 286,496.77</u>	<u>\$ 58,364.49</u>	<u>\$ 1,213.99</u>	<u>\$ 346,075.25</u>
<b><u>Liabilities &amp; Fund Equity</u></b>				
<b><u>Liabilities</u></b>				
Total Liabilities	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>Fund Equity</u></b>				
Fund Balances				
- Unreserved & Undesignated	286,496.77	58,364.49	1,213.99	346,075.25
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Fund Balances</u>	<u>286,496.77</u>	<u>58,364.49</u>	<u>1,213.99</u>	<u>346,075.25</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Liabilities &amp; Fund Equity</u>	<u>\$ 286,496.77</u>	<u>\$ 58,364.49</u>	<u>\$ 1,213.99</u>	<u>\$ 346,075.25</u>

The notes are an integral part of the statements.

**Township of Marlette**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2008

<b>Total Fund Balances for Governmental Funds</b>	\$ 346,075.25
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Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	375,479.62
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	<u>(179,384.28)</u>
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<b>Net Assets of Governmental Activities</b>	<u><u>\$ 542,170.59</u></u>
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**Township of Marlette**  
Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended March 31, 2008

	<b>General Fund</b>	<b>Major Special Revenue Funds Road Fund</b>	<b>Fire Fund</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>				
Property Taxes	\$ 64,754.09	\$ 58,111.35	\$ -	\$ 122,865.44
State Shared Revenue	144,861.00	-	-	144,861.00
Charges for Services	2,930.00	-	12,460.00	15,390.00
Interest Earnings	15,766.02	136.44	18.89	15,921.35
Other Revenues	9,395.74	6,695.00	-	16,090.74
<u>Total Revenues</u>	<u>237,706.85</u>	<u>64,942.79</u>	<u>12,478.89</u>	<u>315,128.53</u>
<b><u>Expenditures</u></b>				
General Government	83,928.23	-	-	83,928.23
Public Safety	8,639.68	-	64,980.00	73,619.68
Publics Works	29,887.76	77,330.91	-	107,218.67
Capital Outlay	-	-	-	-
Debt Service - Principal	10,504.72	-	-	10,504.72
Debt Service - Interest	7,276.49	-	-	7,276.49
<u>Total Expenditures</u>	<u>140,236.88</u>	<u>77,330.91</u>	<u>64,980.00</u>	<u>282,547.79</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	97,469.97	(12,388.12)	(52,501.11)	32,580.74
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	(64,071.00)	14,250.00	49,821.00	-
<b>Net Change in Fund Balances</b>	33,398.97	1,861.88	(2,680.11)	32,580.74
<b><u>Fund Balances - Beginning of Year</u></b>	<u>253,097.80</u>	<u>56,502.61</u>	<u>3,894.10</u>	<u>313,494.51</u>
<b><u>Fund Balances - End of Year</u></b>	<u>\$ 286,496.77</u>	<u>\$ 58,364.49</u>	<u>\$ 1,213.99</u>	<u>\$ 346,075.25</u>

The notes are an integral part of the statements.

**Township of Marlette**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2008

**Net Change in Fund Balances - Total Governmental Funds** \$ 32,580.74

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation -

Repayment of Bond Principal is an Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt) 10,504.72

Depreciation is an Expenditure for the Statement of  
Activities, but is not reported in the Governmental Funds (8,574.13)

**Change in Net Assets of Governmental Activities** \$ 34,511.33

**Township of Marlette**  
Statement of Net Assets (Deficit)  
Proprietary Funds  
March 31, 2008

	<b>Enterprise Fund</b>
	<b>Airport Fund</b>
<b><u>Assets</u></b>	
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 32,734.57
Grant Receivable	-
Fuel Inventory	18,523.24
	<hr/>
<u>Total Current Assets</u>	51,257.81
<u>Noncurrent Assets</u>	
Capital Assets not being Depreciated	189,634.00
Capital Assets being Depreciated	1,041,449.13
Less: Accumulated Depreciation	(778,547.73)
<u>Total Noncurrent Assets</u>	<hr/> 452,535.40 <hr/>
Total Assets	503,793.21
<b><u>Liabilities</u></b>	
Accounts Payable	<hr/> - <hr/>
<b><u>Net Assets</u></b>	
Invested in Capital Assets Net of Related Debt	452,535.40
Unrestricted	51,257.81
	<hr/>
<u>Total Net Assets</u>	<hr/> \$ 503,793.21 <hr/>

The notes are an integral part of the statements.

**Township of Marlette**  
Statement of Revenues, Expenses, And Changes in Net Assets  
Proprietary Funds  
March 31, 2008

	<b>Enterprise Fund Airport Fund</b>
<b><u>Operating Revenues</u></b>	
Hanger & Land Rent / Tie Downs	\$ 13,882.24
Fuel Sales	79,058.96
Maintenance Fees	3,934.00
	<hr/>
<u>Total Operating Revenues</u>	96,875.20
	<hr/>
<b><u>Operating Expenses</u></b>	
Operation & Maintenance	81,001.16
General & Administration	8,764.75
Depreciation	17,596.57
	<hr/>
<u>Total Operating Expenses</u>	107,362.48
	<hr/>
<b><u>Operating Income (Loss)</u></b>	(10,487.28)
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Interest Earned	110.74
Grant Proceeds	-
Transfers From (To) Other Funds	-
	<hr/>
<b>Change in Net Assets</b>	(10,376.54)
<b><u>Net Assets - Beginning of Year</u></b>	514,169.75
	<hr/>
<b><u>Net Assets - End of Year</u></b>	\$ 503,793.21
	<hr/> <hr/>

The notes are an integral part of the statements.

**Township of Marlette**  
Statement of Cash Flows  
Proprietary Funds  
For The Year Ended March 31, 2008

	<b>Enterprise Fund Airport Fund</b>
<b><u>Cash Flow From Operating Activities</u></b>	
Receipts from Customers	\$ 96,875.20
Payments for Operation, Maintenance, & Water	(78,211.31)
Payments for General & Administration	(9,439.75)
	<hr/>
Net Cash Provided by Operating Activity	9,224.14
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Operating Transfers In (Out)	-
	<hr/>
Net Cash Provided by Noncapital Financing Activities	-
<b><u>Cash Flows from Capital &amp; Related Financing Activities</u></b>	
Capital Purchases	(8,092.08)
Receipt of Capital Contributions	-
	<hr/>
Net Cash Provided by Capital & Related Financing Activities	(8,092.08)
<b><u>Cash Flows From Investing Activities</u></b>	
Interest received on Investments	110.74
	<hr/>
<b><u>Net Increase (Decrease) in Cash &amp; Cash Equivalents</u></b>	1,242.80
<b><u>Cash &amp; Cash Equivalents - Beginning of Year</u></b>	31,491.77
	<hr/>
<b><u>Cash &amp; Cash Equivalents - End of Year</u></b>	\$ 32,734.57
	<hr/> <hr/>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u></b>	
Operating Income (Loss)	(10,487.28)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:	
Depreciation	17,596.57
Changes in Assets & Liabilities:	
Fuel Inventory	2,789.85
Accounts Receivable - Operations	-
Accounts Payable - Operations	-
	<hr/>
Net Cash Provided by Operating Activities	\$ 9,899.14
	<hr/> <hr/>

The notes are an integral part of the statements.

# **Township of Marlette**

Notes to the Financial Statements  
For The Year Ended March 31, 2008

The accounting methods and procedures adopted by the Township of Marlette, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

## **1. Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Township of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township of Marlette (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

**Component Units** - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

### **Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Road Fund** - This fund accounts for the payment of road maintenance. Funding is provided primarily through property taxes and contributions from the General Fund.

**Fire Fund** - This fund accounts for the payment of the standby fees to the Marlette Community Fire Department. Funding is provided primarily through fire runs and contributions from the General Fund.

Additionally, the Township reports the following fund types:

**Tax Collection Fund** - The Tax Collection Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.



**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

**Due to and Due From Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences** - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 20 years

**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Accounting Changes**

**GASB Statement No. 34** – Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<b>Total</b> <b><u>Appropriations</u></b>	<b>Amount of</b> <b><u>Expenditures</u></b>	<b>Budget</b> <b><u>Variance</u></b>
<b><u>General Fund</u></b>			
Transfers Out	\$ 53,000	\$ 64,071	\$ 11,071
<b><u>Road Fund</u></b>			
Contracted Services	57,000	58,032	1,032
Brine & Brush Control	17,581	19,299	1,718

# Township of Marlette

## Notes to the Financial Statements

### For The Year Ended March 31, 2008

### 3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. There is not an investment policy adopted by the Board in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 339,398	\$ 32,735	\$ 154	\$ 372,287

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 372,287

The bank balance of the primary government's deposits is \$372,287, of which \$281,682 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately \$90,605 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At year end, there were no investments reported in the basic financial statements.

**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

#### 4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and must be paid by the following February 14. Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Township levied the following taxes:

General Government Services	<u>0.8792</u>	mills
Roads	<u>0.9976</u>	mills

#### 5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

	Balance April 1, 2007	Additions	Disposals & Adjustments	Balance March 31, 2008
<b>Governmental Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 726	\$ -	\$ -	\$ 726
Capital Assets Being Depreciated:				
Building & Improvements	\$ 381,986	\$ -	\$ -	\$ 381,986
Office Equipment	14,016	-	-	14,016
Total Capital Assets being Depreciated	396,002	-	-	396,002
Accumulated Depreciation:				
Building & Improvements	12,122	7,640	-	19,762
Office Equipment	552	934	-	1,486
Total Accumulated Depreciation	12,674	8,574	-	21,248
<b>Net Capital Assets</b>	<u>\$ 384,054</u>	<u>\$ (8,574)</u>	<u>\$ -</u>	<u>\$ 375,480</u>
<b>Business-type Activities:</b>				
Capital Assets not being Depreciated - Land	\$ 189,634	\$ -	\$ -	\$ 189,634
Capital Assets Being Depreciated:				
Airport Infrastructure	855,912	-	-	855,912
Machinery & Equipment	176,283	9,254	-	185,537
Total Capital Assets being Depreciated	1,032,195	9,254	-	1,041,449
Accumulated Depreciation:				
Airport Infrastructure	731,961	6,642	-	738,603
Machinery & Equipment	28,990	10,955	-	39,945
Total Accumulated Depreciation	760,951	17,597	-	778,548
<b>Net Capital Assets</b>	<u>\$ 460,878</u>	<u>\$ (8,343)</u>	<u>\$ -</u>	<u>\$ 452,535</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities:</b>	
General Government	\$ 8,574
Total Governmental Activities	<u>\$ 8,574</u>
<b>Business-type Activities:</b>	
Public Works	\$ 17,597
Total Business-type Activities	<u>\$ 17,597</u>

**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

**6. Long-Term Debt**

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>						
Mortgage & Note Payables						
Township Hall Construction						
Amount of Issue - \$200,000		\$10,111 -				
Maturing through 2020	3.78%	\$17,125	\$ 189,889	\$ (10,505)	\$ 179,384	\$ 10,902
<b>Total</b>			<u>\$ 189,889</u>	<u>\$ (10,505)</u>	<u>\$ 179,384</u>	<u>\$ 10,902</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

<u>Years Ending March 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,902	\$ 6,879	\$ 17,781
2010	11,320	6,461	17,781
2011	11,754	6,027	17,781
2012	12,205	5,577	17,782
2013	12,673	5,108	17,781
2014-2021	120,530	21,714	142,244
<b>Total</b>	<u>\$ 179,384</u>	<u>\$ 51,766</u>	<u>\$ 231,150</u>

**7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds**

None

**8. Interfund Receivables, Payables, & Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 154	T&A - Tax Collection	\$ 154
Total	<u>\$ 154</u>		<u>\$ 154</u>

Interfund Transfers reported in the Fund Statements are as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Fire Fund	\$ 49,821	General Fund	\$ 49,821
Road Fund	14,250	General Fund	14,250

**Township of Marlette**  
Notes to the Financial Statements  
For The Year Ended March 31, 2008

**9. Post Employment Benefits**

The Township does not provide any post employment benefits.

**10. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**11. Contingent Liability**

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of March 31, 2008, the outstanding balance of the real estate mortgage is in the amount of \$435,283.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of March 31, 2008, the outstanding balance of the promissory note is in the amount of \$15,074.

### **Required Supplemental Information**



# Township of Marlette

## Statement of Net Assets (Deficit)

### Fiduciary Funds

March 31, 2008

	<b>Fiduciary Fund</b>	<b>Totals March 31, 2008</b>
<b><u>Assets</u></b>	<b><u>Current Tax Collection Fund</u></b>	
Cash - Savings & Certificates	\$ 153.60	\$ 153.60
<b><u>Total Assets</u></b>	<b><u>\$ 153.60</u></b>	<b><u>\$ 153.60</u></b>
<b><u>Liabilities &amp; Fund Balance</u></b>		
<b><u>Liabilities</u></b>		
Due To General Fund	\$ 153.60	\$ 153.60
Due To Others	-	-
<b><u>Total Liabilities</u></b>	<b><u>153.60</u></b>	<b><u>153.60</u></b>
<b><u>Fund Balances</u></b>		
Unreserved & Undesignated	-	-
<b><u>Total Fund Balances</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><u>Total Liabilities &amp; Fund Balances</u></b>	<b><u>\$ 153.60</u></b>	<b><u>\$ 153.60</u></b>

The notes are an integral part of the statements.

**Township of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2008

	General Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b><u>Revenues</u></b>				
Property Taxes	\$ 66,901.00	\$ 66,901.00	\$ 64,754.09	\$ (2,146.91)
State Shared Revenues	126,517.00	126,517.00	144,861.00	18,344.00
Charges for Services	4,700.00	4,700.00	2,930.00	(1,770.00)
Interest Earnings	4,000.00	4,000.00	15,766.02	11,766.02
Other Revenues	5,300.00	5,300.00	9,395.74	4,095.74
<b><u>Total Revenues</u></b>	<b><u>207,418.00</u></b>	<b><u>207,418.00</u></b>	<b><u>237,706.85</u></b>	<b><u>30,288.85</u></b>
<b><u>Expenditures</u></b>				
<b>General Government</b>				
Township Board	29,847.00	29,847.00	25,329.97	4,517.03
Supervisor	7,239.00	7,239.00	6,749.00	490.00
Elections	2,000.00	2,000.00	1,775.95	224.05
Professional Services	8,150.00	8,150.00	6,017.40	2,132.60
Assessor	12,670.00	12,670.00	12,549.75	120.25
Clerk	13,394.00	13,394.00	12,583.29	810.71
Board of Review	825.00	825.00	825.00	-
Treasurer	18,061.00	18,061.00	16,848.03	1,212.97
Cemetery	1,600.00	1,600.00	1,249.84	350.16
<b><u>Total General Government</u></b>	<b><u>93,786.00</u></b>	<b><u>93,786.00</u></b>	<b><u>83,928.23</u></b>	<b><u>9,857.77</u></b>
<b>Public Safety</b>				
Planning & Zoning	9,300.00	9,300.00	6,315.20	2,984.80
Streetlights	900.00	900.00	874.48	25.52
Board of Appeals	2,400.00	2,400.00	1,450.00	950.00
<b><u>Total Public Safety</u></b>	<b><u>12,600.00</u></b>	<b><u>12,600.00</u></b>	<b><u>8,639.68</u></b>	<b><u>3,960.32</u></b>
<b>Public Works</b>	<b><u>30,000.00</u></b>	<b><u>30,000.00</u></b>	<b><u>29,887.76</u></b>	<b><u>112.24</u></b>
<b>Capital Outlay</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Debt Service - Principal</b>	<b><u>10,505.00</u></b>	<b><u>10,505.00</u></b>	<b><u>10,504.72</u></b>	<b><u>0.28</u></b>
<b>Debt Service - Interest</b>	<b><u>7,277.00</u></b>	<b><u>7,277.00</u></b>	<b><u>7,276.49</u></b>	<b><u>0.51</u></b>
<b><u>Total Expenditures</u></b>	<b><u>154,168.00</u></b>	<b><u>154,168.00</u></b>	<b><u>140,236.88</u></b>	<b><u>13,931.12</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>53,250.00</b>	<b>53,250.00</b>	<b>97,469.97</b>	<b>16,357.73</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Operating Transfers In (Out)	(53,000.00)	(53,000.00)	(64,071.00)	(11,071.00)
<b>Excess of Revenues &amp; Operating Transfers In Over (Under) Expenditures &amp; Operating Transfers Out</b>	<b>250.00</b>	<b>250.00</b>	<b>33,398.97</b>	<b>5,286.73</b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>253,097.80</u></b>	<b><u>253,097.80</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ 250.00</u></b>	<b><u>\$ 250.00</u></b>	<b><u>\$ 286,496.77</u></b>	<b><u>\$ 258,384.53</u></b>

**Township of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Road Fund  
For The Year Ended March 31, 2008

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance with Amended Budget</b>
<b><u>Revenues</u></b>				
Property Taxes	\$ 55,710.94	\$ 55,710.94	\$ 58,111.35	\$ 2,400.41
Interest Earnings	100.00	100.00	136.44	36.44
Other Revenue	6,300.00	6,300.00	6,695.00	395.00
<b><u>Total Revenues</u></b>	<b><u>62,110.94</u></b>	<b><u>62,110.94</u></b>	<b><u>64,942.79</u></b>	<b><u>2,831.85</u></b>
<b><u>Expenditures</u></b>				
Public Works (Roads):				
Contracted Services	57,000.00	57,000.00	58,031.79	(1,031.79)
Brine & Brush Control	17,581.00	17,581.00	19,299.12	(1,718.12)
<b><u>Total Expenditures</u></b>	<b><u>74,581.00</u></b>	<b><u>74,581.00</u></b>	<b><u>77,330.91</u></b>	<b><u>(2,749.91)</u></b>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<b><u>(12,470.06)</u></b>	<b><u>(12,470.06)</u></b>	<b><u>(12,388.12)</u></b>	<b><u>81.94</u></b>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	14,250.00	(14,250.00)
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<b><u>(12,470.06)</u></b>	<b><u>(12,470.06)</u></b>	<b><u>1,861.88</u></b>	<b><u>14,331.94</u></b>
<b><u>Fund Balance - Beginning of Year</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>56,502.61</u></b>	<b><u>56,502.61</u></b>
<b><u>Fund Balance - End of Year</u></b>	<b><u>\$ (12,470.06)</u></b>	<b><u>\$ (12,470.06)</u></b>	<b><u>\$ 58,364.49</u></b>	<b><u>\$ 70,834.55</u></b>

**Township of Marlette**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Fire Fund  
For The Year Ended March 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Fire Runs	\$ 9,000.00	\$ 9,000.00	\$ 12,460.00	\$ 3,460.00
Interest Earnings	10.00	10.00	18.89	8.89
<b><u>Total Revenues</u></b>	<u>9,010.00</u>	<u>9,010.00</u>	<u>12,478.89</u>	<u>3,468.89</u>
<b><u>Expenditures</u></b>				
Public Safety (Fire Prevention):				
Standby Fees	64,980.00	64,980.00	64,980.00	-
<b><u>Total Expenditures</u></b>	<u>64,980.00</u>	<u>64,980.00</u>	<u>64,980.00</u>	<u>-</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	(55,970.00)	(55,970.00)	(52,501.11)	3,468.89
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	53,000.00	53,000.00	49,821.00	3,179.00
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	(2,970.00)	(2,970.00)	(2,680.11)	6,647.89
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>3,894.10</u>	<u>3,894.10</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ (2,970.00)</u>	<u>\$ (2,970.00)</u>	<u>\$ 1,213.99</u>	<u>\$ 10,541.99</u>

### **Other Supplemental Information**

# Township of Marlette

Other Supplemental Information

Schedule of Indebtedness

March 31, 2008

Dated: July 7, 2005

Original Issue: \$200,000

## Township Hall Construction

Interest Rate	Annual Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2008	2007	
3.78%	7/14/2007	\$ -	\$ 10,505	\$ -
3.78%	7/14/2008	10,902	10,902	6,879
3.78%	7/14/2009	11,320	11,320	6,461
3.78%	7/14/2010	11,754	11,754	6,027
3.78%	7/14/2011	12,205	12,205	5,577
3.78%	7/14/2012	12,673	12,673	5,108
3.78%	7/14/2013	13,159	13,159	4,623
3.78%	7/14/2014	13,663	13,663	4,118
3.78%	7/14/2015	14,187	14,187	3,594
3.78%	7/14/2016	14,731	14,731	3,050
3.78%	7/14/2017	15,296	15,296	2,485
3.78%	7/14/2018	15,883	15,883	1,898
3.78%	7/14/2019	16,492	16,492	1,289
3.78%	7/14/2020	17,119	17,119	657
Total Loan Payable		\$ 179,384	\$ 189,889	\$ 51,766

**LEHN L. KING**  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

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Phone 989-635-3113  
Fax 989-635-5580

July 1, 2008

**Marlette Township**  
1756 Germania Road  
Marlette, Michigan 48453

To the Members of the Board:

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Marlette for the year ended March 31, 2008, and have issued my report thereon dated July 1, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in my engagement letter dated May 11, 2007, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

I performed the audit according to the planned scope and timing previously communicated to you.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Marlette are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

#### **Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

#### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated July 1, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.



### ***Communication of Significant Deficiencies and Material Weaknesses***

In planning and performing my audit of the financial statements, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, I considered the Township of Marlette's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and other deficiencies that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the following deficiencies to be significant deficiencies in internal control:

**Preparation of Financial Statements** - Management prepares internal financial information to assess operations and the financial position of the Township of Marlette on an ongoing basis. Although the internal financial information is sufficient to operate the Township, it is not presented in accordance with generally accepted accounting principles. The Township contracts with me, the auditor, to draft the financial statements, including all necessary notes, in accordance with generally accepted accounting principles, since it does not retain staffing that currently have the expertise. I believe this meets the definition of a material weakness under *Statement on Auditing Standards 112*.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. The AICPA Auditing Standards Board issued Statements on Audit Standards (SAS) 112 which establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting and is effective for periods ending after December 15, 2006. According to SAS 112, it is considered to be a control deficiency if a client I am auditing has ineffective controls over the preparation of their financial statements such that client controls are absent or controls are not effective in preventing or detecting material misstatements in the preparation of the financial statements, including the related footnotes.

**Accrual Adjustments** – During the audit, I generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records. I bring this to your attention since it meets the above definition on a matter to be communicated.

**Segregation of Duties** - The relative size of the Township of Marlette limits the extent to which the officials can segregate duties and responsibilities which impairs the basic premise that no one individual should have access to both the physical assets and the related accounting records (or all recording tasks of a transaction from inception to completion).

The Township has implemented mitigating controls to strengthen internal controls and the segregation of duties; however, it must be recognized that the risk of intentional or unintentional errors could be made and not detected in a timely manner.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marlette Township's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiencies described above to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Marlette Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of the Township of Marlette, and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Lehn King*

Lehn L. King  
**Certified Public Accountant**